



**Office of Public and Indian
Housing**

**Public Housing Operating Subsidy
Calculations for Calendar Year 2012
PIH Notice 2011-55**

October 5, 2011

Purpose/Agenda

- The purpose of this webcast is to provide PHAs with information on the operating subsidy calculation process for CY 2012 (PIH Notice 2011-55). Specifically, the webcast:
 - Provides instructions and timelines for general submission and processing of the CY 2012 operating subsidy calculations
 - Explains the methodology used to calculate a PHA's operating reserves and proposed subsidy allocation adjustment
 - Describes the process for PHAs to submit an appeal to exclude a portion of the PHA's reserves from the subsidy allocation adjustment calculation
- Q&A session from participants



Topic 1 - General Operating Subsidy Submission Processing for CY 2012

CY 2012 Improvements

Improvements this year to facilitate Operating Fund eligibility submissions:

- IMS/PIC data cleanup for accurate data
- Pre-loading of information into the form HUD-52723
- Easier to use
- HUD is committed to making sure PHAs know their eligibility prior to the beginning of the calendar year

CY 2012 Operating Subsidy Processing

Required form to be submitted:

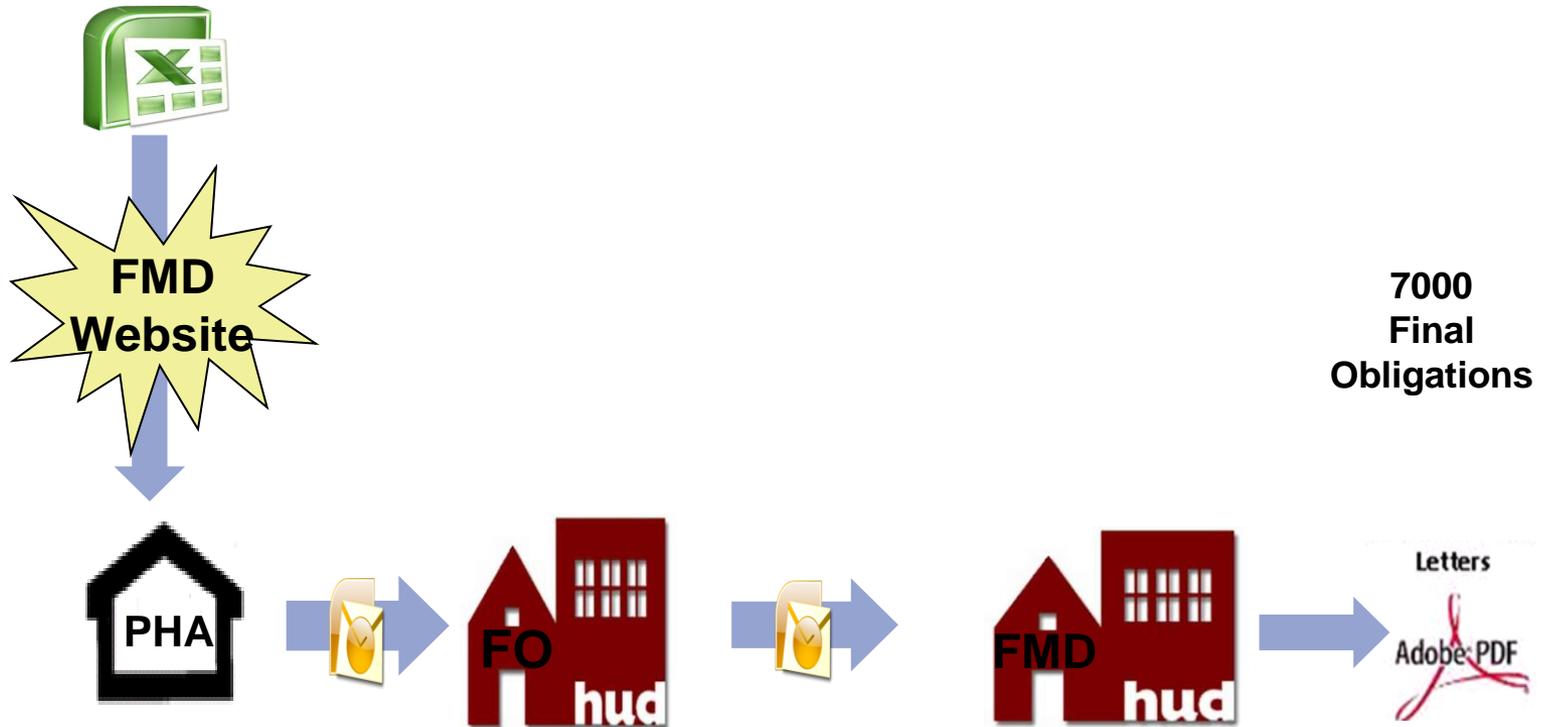
- Excel Tool electronic forms will be used to collect funding data for CY 2012
- HUD-52723, Calculation of Operating Subsidy Form
- HUD-52722, Calculation of Utilities Expense Level
- PHAs will submit scanned copies of both HUD-50071 and SF-424 forms
- HUD-52725, Executive Compensation

CY 2012 Operating Subsidy Processing

PHA OPERATING FUND SUBMISSION SCHEDULE 2012	Dates
Pre-populated Data posted to FMD Website	10/3/2011
HUD forms HUD-52723 and HUD-52722 available to PHAs	10/5/2011
Forms due from PHAs to FOs	10/31/2011
Eligibility based on HUD-52723 operating subsidy submissions	12/15/2011

CY 2012 Operating Subsidy Processing

PHA HUD-52723
and HUD-52722
Excel Tools



CY 2012 Operating Subsidy Processing

- New version of the HUD-52723 electronic form will be deployed
 - Quicker and easier processing for data entry
 - Single electronic form will carry funding data for all projects

@AL004000002	Load Data	Clear Form	Close File
@AL004000002	Save Form	Delete Record	
@AL004000003			

Operating Fund Calculation of Operating Subsidy PHA-Owned Rental Housing	U.S. Department of Housing and Urban Development Office of Public and Indian Housing
Ver. 2	OMB Approval No. 2577-0029 (exp. 05/31/2014)
<p>Public Reporting Burden for this collection of information is estimated to average .75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. This information is required by Section 9(s) of the U.S. Housing Act of 1937, as amended, and by 24 CFR Part 990 HUD regulations. HUD makes payments for the operation and maintenance of low-income housing projects to PHAs/projects. The Operating Fund determines the amount of operating subsidy to be paid to PHAs/projects. PHAs/projects provide information on the Project Expense Level (PEL), Utilities Expense Level (UEL), Other Formula Expenses (Add-ons) and Formula Income - the major Operating Fund components. HUD reviews the information to determine each PHA's/project's Formula Amount and the funds to be obligated for the Funding Period to each PHA/project based on the appropriation by Congress. HUD also uses the information as the basis for requesting annual appropriations from Congress. Responses to the collection of information are required to obtain a benefit. The information requested does not lend itself to confidentiality. Formula Amount and the funds to be obligated for the Funding Period to each PHA/project based on the appropriation by Congress. HUD also uses the information as the basis for requesting annual appropriations from Congress. Responses to the collection of information are required to obtain a benefit. The information requested does not lend itself to confidentiality.</p>	
Enter Total Number of ACC Units for this PHA > >	
1. Name and Address of Public Housing Agency:	
2. Funding Period: 01/01/2011 to 12/31/2011	

CY 2012 Operating Subsidy Processing

Essential references:

1. Notice PIH 2011-55, Public Housing Operating Subsidy Calculations for CY 2012
2. HUD-52723 form instructions available at HUDCLIPS and “Calendar Year 2012 Subsidy Processing webpage”
3. The Pre-populated data is available at “Calendar Year 2012 Subsidy Processing webpage”



Topic 2 - Calculation of Operating Reserves and Subsidy Allocation Adjustment

Topic 2 - Calculation of Operating Reserves and Subsidy Allocation Adjustment

- Topic 2 will:
 - Describe the methodology used by HUD to calculate a PHA's operating reserves
 - Explain the methodology used by HUD to calculate a PHA's subsidy allocation adjustment
 - Provide examples of the calculations for operating reserves and subsidy allocation adjustment under various PHA scenarios

FY 2012 Appropriations

- The President's FY 2012 Budget request and current Congressional appropriation language proposes:
 - To fund the Public Housing Operating Fund at 100% of eligibility using new appropriations and existing reserves
 - President's Budget: \$3.962 billion + \$1 billion allocation adjustment
 - House bill: \$3.861 billion + \$1 billion allocation adjustment
 - Senate bill: \$3.962 billion + \$750 million allocation adjustment
 - Includes language requiring HUD to take into account a PHA's operating reserves in calculating a PHA's operating subsidy
 - The provision to take into account a PHA's operating reserve is known as the subsidy allocation adjustment

Subsidy Allocation Adjustment

- PHAs with operating reserves over the minimum operating reserve level will have their operating subsidy eligibility reduced by a pro-rata amount not to exceed the amounts called for in the Appropriations Act (\$1 billion or \$750 million).
- A PHA's allocation adjustment cannot exceed its 2012 operating subsidy eligibility.

PHA's Operating Reserves

- Broad definition: The amount of current assets that are available for operations after liquidating any liability that is due within the next year (current liability)

- For most PHAs operating reserves are the accumulation of funds that include but are not limited to:
 - Unspent operating subsidy, including Asset Repositioning Fee (ARF);
 - Unspent tenant rent;
 - Other miscellaneous revenue, including program income that has expanded uses;
 - Unrestricted, unspent insurance proceeds; and
 - Section 18 proceeds

Calculation of a PHA's Operating Reserves

- Operating Reserves are:
 - Calculated from select balance sheet line items of the FDS
 - Calculated for the public housing program only (excludes COCC, HCV and other HUD and non-HUD programs)
 - Applies to all public housing projects reported in the FDS, including the “other project” column

- For MTW PHAs, HUD will apply a proration to their subsidy eligibility based on the average reduction of the PHAs peer group (size of the PHA)

Calculation of a PHA's Operating Reserves

#	FDS #	Line Description
1	111	Cash - Unrestricted
2	114	Cash – Tenant Security Deposits
3	120	Total Receivables
4	131	Investments - Unrestricted
5	142	Prepaid Expenses and Other Assets
6	144	Inter-program – Due From
7	145	Assets Held for sale
8		Total of Lines 1 through 7
9	310	Total Current Liabilities
10	343	Current Portion of Long term Debt – Capital Projects
11		Line 9 minus Line 10
12		Operating Reserves (Line 8 minus Line 11)

Calculation of a PHA's Operating Reserves

- HUD will calculate operating reserves based on PHA approved audited FDS submissions with fiscal years ending:
 - June 30, 2010
 - September 30, 2010
 - December 31, 2010
 - March 31, 2011

- Approved submissions will be determined based on data approved in HUD's FASS system as of October 31, 2011

- If approved audited data is not available, the PHA's approved unaudited data will be used

Calculation of a PHA's Operating Reserves

- If no approved data exists for the PHA or if the audited submission contains a disclaimer or adverse opinion, the PHA will receive an allocation adjustment in operating subsidy based on the greater of:
 - The PHA's most recent approved submission, or
 - The average reduction amount for the PHA's peer group

- Exception:
 - For those PHAs whose submission was invalidated as a result of the allowable adjustment process or quality control subsidy review process, the approved submission after the invalidation will be used.

Minimum Operating Reserve Levels

- PHAs with 250 or more public housing units, the minimum operating reserves level is established at the greater of:
 - 4 months of formula operating expenses, or
 - \$100,000

- PHAs with 249 or less public housing units, the minimum operating reserves level is established at the greater of:
 - 6 months of formula operating expenses, or
 - \$100,000

- Operating Expenses are determined by summing the Formula Expenses (Part A, Line 17) and the Transition Funding (Part C, Line 2) on all of the PHA's project calculation of operating subsidy forms (HUD-52723)

Example of HUD Proposed Methodology to Implement 2012 Expected Operating Fund Appropriation Language

#	Row Description	Definition	Example 1	Example 2	Example 3	Example 4
1	Example		PHA001	PHA003	PHA004	PHA005
2	Example Description		Large-Adjustment Not Limited	Zero Reserves above Minimum Level	Small-Capped at 12 Months of Eligibility	MTW
3	Total Operating Reserves	Calculated from FDS	\$29,630,872	\$16,874,563	\$1,876,302	\$1,789,274
4	2011 Formula Expense	Calc. of Operating Subsidy PEL + UEL + Add-on	\$35,597,879	\$54,399,253	\$1,029,416	\$ -
5	2011 Monthly Formula Expense	Line 4 divided by 12	\$2,966,490	\$4,533,271	\$85,785	\$ -
6	Minimum Operating Reserve Level	Line 5 times 4 if 250 or more units or times 6 if less the 250 units	\$11,865,960	\$18,133,084	\$514,708	\$ -
7	Amounts Above Minimum Operating Reserve Level	Line 3 minus Line 6; if negative, then zero	\$17,764,912	\$ -	\$1,361,594	\$ -
8	2011 Op Fund Eligibility	Calc. of Operating Subsidy	\$25,226,295	\$21,884,763	\$298,922	\$21,407,984
9	Proposed Alloc. Adjustment Limited to \$1 B Prior to Cap	Reduction of Excess Reserves, Limited to Minimum Reserve Levels to Reach Target (54%)	\$8,225,619	\$ -	\$630,454	\$3,691,966
10	Proposed Alloc. Adjustment Limited to \$1 Billion (capped at 12 months of eligibility)	Lesser of Line 8 or Line 9	\$8,225,619	\$ -	\$298,922	\$3,691,966
11	Proposed 2012 Allocation Adjustment (capped at 12 months of eligibility)	Reduction in Operating Subsidy	\$9,935,976	\$ -	\$298,922	\$3,691,966
12	% Reduction in Eligibility	Line 11 divided by Line 8, Expressed as a Percentage	39.4%	0.0%	100.0%	17.2%



Topic 3 – Appeals to Exclude a Portion of Operating Reserves

Appeals to Exclude a Portion of Reserves

- PHAs may submit an appeal to exclude a portion of their operating reserves from the subsidy allocation adjustment for the following reasons:
 - Corrections to the FDS that would impact the currently calculated operating reserve amount
 - Obligations/commitments of operating reserves entered into no later than March 31, 2011
 - Other specific circumstances such as:
 - Homeownership and mixed finance transactions
 - Contingent liabilities (e.g., FASB 5)
 - Funds held for self-insurance
 - Homeownership transactions
 - Section 18 disposition proceeds received in the two fiscal years prior to the fiscal year end HUD used to determined the reserves.

Submitting Appeals

- All appeals must be submitted electronically to 2012allocationadjustments@hud.gov
- Emails must contain the subject line:
“Exclusion Request 2012 Allocation Adjustment [PHA Code]”
- **Deadline** for submitting appeals is Monday, October 31, 2011. PHAs are encouraged to submit requests prior to that date.

Example of Appeal

Example of a PHA that makes a correction to its FDS that results in a change to the PHA's final 2012 allocation adjustment

#	Row Description	Definition	Amount (prior to exclusion)		Amount (after exclusion)	Effect of Restatement on calculation
1	Total Operating Reserves	Calculated from FDS	\$1,500,000	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Operating Reserves net of FDS Correction and Exclusions</div> <div style="text-align: center;">↑</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">PHA Corrects FDS resulting in adj. to reserves of \$500,000</div> <div style="text-align: center;">↑</div> <div style="border: 1px solid black; padding: 5px;">HUD Grants PHA Request for an Exclusion: \$0</div>	\$1,000,000	Operating Reserves are reduced by \$500,000 due to PHA correction of FDS
2	Minimum Operating Reserve Level	Months Expenses (PEL+UEL+Add-on) - 4 if 250 or more units / 6 if less than 250 units	\$250,000		\$250,000	No effect
3	Operating Fund Eligibility	Calc. of Operating Subsidy	\$750,000		\$750,000	No effect
4	Amounts above Minimum Operating Reserve Level	Line 1 minus Line 2; if negative, then zero	\$1,250,000		\$750,000	Amounts above Minimum Operating Reserve Level are reduced by \$500,000 exclusion
5	Calculated Alloc. Adjustment	Reduction of Amounts above Minimum Operating Reserve Level (line 4 x HUD Factor)	\$575,000		\$345,000	Calculated Alloc. Adjustment reduced by \$230,000 (line 4 x HUD Factor)
6	Proposed Alloc. Adjustment*	Lesser of Line 3 or Line 5	\$575,000		\$345,000	Proposed Alloc. Adjustment is reduced by \$230,000

Example of Appeal

Example of a PHA with an approved exclusion that has an impact on the PHA's final 2012 allocation adjustment subsidy eligibility

#	Row Description	Definition	Amount (prior to exclusion)		Amount (after exclusion)	Effect of exclusion on calculation
1	Total Operating Reserves	Calculated from FDS	\$1,500,000	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Operating Reserves net of FDS Correction and Exclusions</div> <div style="text-align: center;">↑</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">PHA Corrects FDS resulting in reduction \$0</div> <div style="text-align: center;">↑</div> <div style="border: 1px solid black; padding: 5px;">HUD Grants PHA Request for an Exclusion: \$500,000</div>	\$1,000,000	Operating Reserves are reduced by \$500,000 exclusion
2	Minimum Operating Reserve Level	Months Expenses (PEL+UEL+Add-on) - 4 if 250 or more units / 6 if less than 250 units	\$250,000		\$250,000	No effect
3	Operating Fund Eligibility	Calc. of Operating Subsidy	\$750,000		\$750,000	No effect
4	Amounts above Minimum Operating Reserve Level	Line 1 minus Line 2; if negative, then zero	\$1,250,000		\$750,000	Amounts above Minimum Operating Reserve Level are reduced by \$500,000 exclusion
5	Calculated Alloc. Adjustment	Reduction of Amounts above Minimum Operating Reserve Level (line 4 x HUD Factor)	\$575,000		\$345,000	Calculated Alloc. Adjustment reduced by \$230,000 (line 4 x HUD Factor)
6	Proposed Alloc. Adjustment*	Lesser of Line 3 or Line 5	\$575,000		\$345,000	Proposed Alloc. Adjustment is reduced by \$230,000

Appeals

- HUD will not consider appeals for:
 - PHAs operating under an MTW agreement
 - PHAs whose operating reserves are less than the minimum operating reserve level. That is, the PHA is estimated to receive 100% of its subsidy eligibility with no allocation adjustment.
 - PHAs whose minimum operating reserve are approximately two or more times greater than the PHAs CY 2012 final operating subsidy eligibility. That is, the PHA is estimated to receive no operating subsidy with a 100% allocation adjustment.

Example of Appeal

Example of a PHA whose approved exclusion would have no impact on the PHA's final 2012 allocation adjustment

#	Row Description	Definition	Amount (prior to exclusion)		Amount (after exclusion)	Effect of exclusion on calculation
1	Total Operating Reserves	Calculated from FDS	\$1,500,000	→ PHA Submits Request for \$400,000 exclusion →	\$1,100,000	Operating Reserves are reduced by \$400,000 exclusion
2	Minimum Operating Reserve Level	Months Expenses (PEL+UEL+Add-on) - 4 if 250 or more units / 6 if less than 250 units	\$250,000		\$250,000	No effect
3	Operating Fund Eligibility	Calc. of Operating Subsidy	\$300,000		\$300,000	No effect
4	Amounts above Minimum Operating Reserve Level	Line 1 minus Line 2; if negative, then zero	\$1,250,000		\$850,000	Amounts above Minimum Operating Reserve Level are reduced by \$400,000 exclusion
5	Calculated Alloc. Adjustment	Reduction of Amounts above Minimum Operating Reserve Level (line 4 x HUD Factor)	\$575,000		\$391,000	Calculated Alloc. Adjustment reduced by \$184,000 (line 4 x HUD Factor)
6	Proposed Alloc. Adjustment*	Lesser of Line 3 or Line 5	\$300,000		\$300,000	No effect

Operating Reserves & Allocation Adjustment Excel Tools

- HUD has published on its website the following Excel calculation tools:
 - CY 2012 Operating Reserves Tool – PHA’s Available Operating Reserves. This tool provides the operating reserve level and calculation details for each PHA (based on approved FASS data as of September 19, 2011)
 - CY 2012 Operating Reserves Tool – Amount of Subsidy Allocation Adjustment (House bill version). This tool provides the amount of each PHA’s subsidy allocation adjustment based on the House allocation adjustment level of \$1 billion
 - CY 2012 Operating Reserves Tool – Amount of Subsidy Allocation Adjustment (Senate bill version). This tool provides the amount of each PHA’s subsidy allocation adjustment based on the Senate allocation adjustment level of \$750 million

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/am/of/opfnd2012/allocationadjustment

Required Documentation to Support Appeals

- When requesting an exclusion, a PHA must provide the following information:
 - The exclusion category(s) being requested
 - The specific dollar amount of the exclusion requested broken down by each exclusion category
 - A calculation of the dollar amount of operating reserves that remain after the exclusion is deducted
 - Evidence that the exclusion if approved:
 - Will result in an exclusion of an amount that is greater than one half of one month of PHA's operating expenses; and
 - Will reduce the amount that is above the PHA's minimum operating reserve level to an amount that is approximately two or more times greater than the PHA's CY 2012 operating fund eligibility

Required Documentation to Support Appeals (continued)

- When requesting an exclusion a PHA must also provide the following information:
 - All required documents necessary for HUD to make a determination on the exclusion request – do not provide unnecessary information
 - A description of the eligible activity/purpose for which the funds will be used
 - A signed certification statement by the ED that the submitted information is accurate

- Additional documentation based on the specific category of the appeal

Appeal Category 1 – Corrections to the FDS

- A PHA may request an exclusion from its calculated operating reserves for funds that are incorrectly reported on the FDS. The three (3) most typical corrections to the FDS are:
 - Incorrect Reporting of Insurance Proceeds
 - Disaster Funds
 - Non-federal Funds

- Specific Additional Required Documents for Category 1
 - A copy of the approved FDS that contains the error, including the FDS line and project number that contain the error
 - An indication of the corrected entries and financial information
 - A written concurrence from the PHA's auditor that the auditor agrees with the changes to correct the error

- If the exclusion is granted, the PHA has 30 days to resubmit a corrected FDS

Category 2 – Obligations/Commitments

- A PHA may request an exclusion for funds that are properly reported in the PHA's calculated operating reserves and for which the PHA has a valid obligation or commitment dated on or before March 31, 2011, except for disposition proceeds within the last two years.

Category 2 – Obligations/Commitments

- **Obligation Requirements**
 - Valid contractual obligation dated no later than 3/31/2011
 - Must demonstrate that the contractual obligation (1) was paid in full with operating reserves, or (2) will impact the PHA's ability to satisfy any remaining contractual obligations
 - Amount of exclusion request is limited to the reserves that have been or will be used to satisfy the outstanding obligation after the FYE date used by HUD to calculate the PHA's reserve balance

Category 2 – Obligations/Commitments

- Additional Specific Required Documents for Obligations
 - A copy of the contract or equivalent obligating document
 - A copy of the Board resolution approving the obligation, when required
 - Evidence that these obligations was earmarked for payment from operating reserves
 - For force account work, the project plan and evidence that the work commenced
 - A payment schedule showing what has been paid, the timing of those payments, and what is owed
 - A pro forma income statement

Category 2 – Obligations/Commitments

■ Commitments Requirements

- PHAs may request an exclusion for a commitment when the PHA's operating reserve balance includes proceeds from the disposition of public housing properties and those funds are committed, but not yet obligated, for eligible activities under Section 18
- The amount of the exclusion is limited to remaining disposition proceeds in reserves after the FYE date used by HUD to calculate the PHA's reserve balance

Category 2 – Obligations/Commitments

- Additional Specific Required Documents for Commitments
 - Copy of the Special Applications Center (SAC) approval
 - Evidence of the actual amount of the sales proceeds
 - A copy of the relevant section of the PHA's Annual Plan approved by HUD no later March 31, 2011, or adequate documentation as evidence of the commitment. For example:
 - Copies of Request for Proposals Issued
 - Approved grant applications
 - AHAP commitment
 - Memorandum of Understanding between the PHA and a supportive services provided

Category 2 – Obligations/Commitments

- Proceeds for Disposition Requirements
 - Exception to a commitment dated no later than March 31, 2011
 - PHAs can request an exclusion for any unspent proceeds from the disposition of public housing properties that remain unspent and were received by a PHA in the two fiscal years prior to the fiscal year end HUD used to calculate the reserve balance

- Additional Specific Required Documents for Disposition
 - A copy of the Special Application Center (SAC) approval
 - Evidence of the amount of the actual sales proceeds received

Category 2 – Obligations/Commitments

- Funds Used for Development
 - PHAs can request an exclusion for funds that will be used for development, including mixed finance transactions, when approved or authorized by the Board and approved by HUD

- Additional Specific Required Documents for Development approved by HUD
 - A copy of HUD's approval

Category 2 – Obligations/Commitments

- Funds used for Development
 - PHAs can request exclusion for other mixed finance or development transactions when the PHA plans to request approval under the Operating Fund Financing Program (OFFP)
- Additional Specific Required Documents for Funds for Development not yet approved for OFFP:
 - Evidence that the PHA cannot proceed with the commitment without the funds that the PHA is requesting be excluded
 - A copy of the Board Resolution approving or authorizing the project
 - A copy of the relevant section of the PHA's Annual Plan approved by HUD not later March 31, 2011
 - One of the following documents:
 - Copies of Request for Proposals Issued;
 - Approved grant applications;
 - Submitted rental term sheet;
 - Submitted development proposal; or
 - Other similar significant documentation

Category 2 – Obligations/Commitments

- Additional Specific Required Documents for Funds used for Development
 - Evidence that the PHA cannot proceed with the commitment without the funds that the PHA is requesting be excluded
 - A copy of the Board Resolution approving or authorizing the project
 - A copy of the relevant section of the PHA's Annual Plan approved by HUD not later March 31, 2011
 - One of the following documents:
 - Copies of Request for Proposals Issued;
 - Approved grant applications;
 - Submitted rental term sheet;
 - Submitted development proposal; or
 - Other similar significant documentation

Category 3 – Other Circumstances

- The other circumstances in which a PHA may request an exclusion from the calculated operating reserves is when the PHA has:
 - Self-insurance;
 - Certain long-term liabilities and contingencies;
 - Penalties for early liquidation of investments;
 - Homeownership programs;
 - Repayment of ineligible costs;
 - Mixed finance projects; or
 - Unique circumstances

Appeal Submissions and Other Information

- Email: 2012allocationadjustments@hud.gov
- Website:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/am/of/opfnd2012



Question and Answers